

IRS News Release

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New Taxpayer Account, Processing System Debuts

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WASHINGTON — A modernized system designed to replace the IRS central database of taxpayer account information has processed its first live returns, the Internal Revenue Service announced today.

The Customer Account Data Engine (CADE) started processing an initial set of 1040EZ tax returns in the past week. The returns being processed are the most basic of 1040EZ forms and have a narrow range of taxpayer information, but it marks the first time since the 1960s that individual tax returns have been processed in a new way.

“For the first time in 40 years, the IRS is processing returns and issuing refunds on a new computer system,” IRS Commissioner Mark W. Everson said. “We’ve waited a long time for this moment. While long overdue, this is an important first step in modernizing our return processing technologies. We still have a long way to go and a lot of work ahead of us.”

CADE will be used to process more than 2 million 1040EZ tax returns during the 2005 filing season. The CADE system is scheduled to be phased in over several years, processing increasingly more complex tax returns in stages, ultimately replacing the 40-year-old system the IRS now uses to process tax return data.

When fully operational, CADE will be a modern database that will house tax information for more than 200 million individual and business taxpayers. It replaces an antiquated system called the Master File. The magnetic tape-based system came into use four decades ago, takes a week to update records and creates delays in providing accurate account information for taxpayers. When completed, CADE will provide a variety of benefits to taxpayers, such as faster refunds along with daily postings of transactions and updating of accounts.